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D. Bruce Johnstone

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# *International Perspectives on Student Financial Aid*

by

*D. Bruce Johnstone*

This article was re-written by the author from a presentation he made at the Spring 1986 NASSGP/NCHELP Conference and is based upon material taken from a recent College Board book by the same author entitled *Sharing the Costs of Higher Education: Student Financial Assistance in the United Kingdom, the Federal Republic of Germany, France, Sweden, and the United States*.

## *Introduction: Sharing the Costs of College*

Higher education a costly enterprise in any society. A basic premise of this article, as of the larger study on which it is based, is that these costs — again, in any society — are borne by four parties: taxpayers, parents, students, and philanthropists.

- 1 . *The taxpayer*, through taxes on income, consumption, assets, sales, or manufacturing, and including any indirect “tax” of inflation brought on by public deficit financing;
- 2 . *The parents*, through direct cash contributions, either to the institution (i.e., tuition) or to the student, or through indirect or in-kind contributions of room, board, laundry, and the like to cover the costs of student living;
- 3 . *The student*, through depletion of savings, through term-time or holiday work, or through loans; or
- 4 . *The philanthropist*, whether individual, corporate or institutional, through voluntary donations that reduce the expenses that might otherwise have to be borne by one or more of the aforementioned parties. (Some would have business a fifth and distinct partner. The perspective of this study, however, is that business’s share, if there be one, is more appropriately viewed either as voluntary and borne by the owners, in which case it can be included within the category “philanthropist,” or as involuntary and borne by the general consumer, in which case its incidence is more like that of a sales or consumption tax and can be viewed at least conceptually as quite indistinguishable from a burden borne by the general taxpayer.)

The key feature of the cost-sharing paradigm is that it is essentially zero sum. That is, a relatively invariable sum of costs — for the support of institutions as well as for the support of student living — must be borne by these parties and no others, and any shift of burden from one party means an approximately equivalent shift to one or more of the others.

D. Bruce Johnstone is the President of the State University College at Buffalo, New York.

From such a cost-sharing paradigm, a number of public policy instruments may be viewed as devices to apportion higher education's costs among their potential bearers: for example, the presence or absence of tuitions and fees, parental "means testing" or "need analysis" by which grants or subsidies may be awarded or reduced, student loan opportunities and expectations, subsidies (or the absence of subsidies) for student living expenses, and so forth.

The apportioning of costs and any deliberate or inadvertent shift in this apportioning in turn raises public policy issues that are important in any society: How much financial sacrifice, if any, should be expected of parents of college and university students? At what age of the child or at what level of his or her studies does the parental obligation cease — and to whom does it then pass? If there is to be a parents' share, and if it is to vary directly with parental income, or with some combination of income and assets, at what (low) income does the expected parental contribution begin . . . how quickly, or how steeply, does the expected contribution rise with rising income . . . and at what income does the parental contribution reach its effective maximum? Should students bear a share of higher education costs . . . how much of a share . . . and how shall it be borne? Are there practical or ideological limits to the burdens that students can bear either through term-time or holiday work or through loans? What are the public goals served by the taxpayer-borne share of costs, and what mix of public expenditures — e.g., full or partial institutional support, need-based or means-tested grants to students, subsidized room and board, or subsidized loans — most effectively meet these public goals?

Such questions are relatively simple to formulate, if enormously difficult to answer, or at least to answer unambiguously. The difficulty in part lies in an even deeper and more fundamental layer of questions, the answers to which are even more elusive, but which ultimately reflect on the proper sharing of costs among taxpayers, parents, students, and philanthropists. For example, what proportion of a particular age cohort should go on to what levels or what kinds of higher education, and how much taxpayer-borne expenditures, or subsidies, should be used to generate such targets? What is an appropriate living standard for university students, particularly when supported in whole or in part through public (taxpayer-borne) grants, and how much should this standard be raised (particularly at taxpayer expense) if a higher standard is required to yield a university population that reflects more nearly the socioeconomic, ethnic, linguistic, and geographic characteristics of the society as a whole?

#### *A Comparative Study of Cost Sharing*

One approach to studying this complex set of issues is a comparative analysis. There is reason to believe that all societies face very similar underlying costs of higher education, the very same four parties to share in the burden of meeting these costs, and very similar public policy objectives, at least in such broad categories as equalizing higher educational opportunities and economizing on the use of public funds. It seemed, therefore, that some useful perspectives could be gained by a study of student financial assistance in several advanced industrial countries.

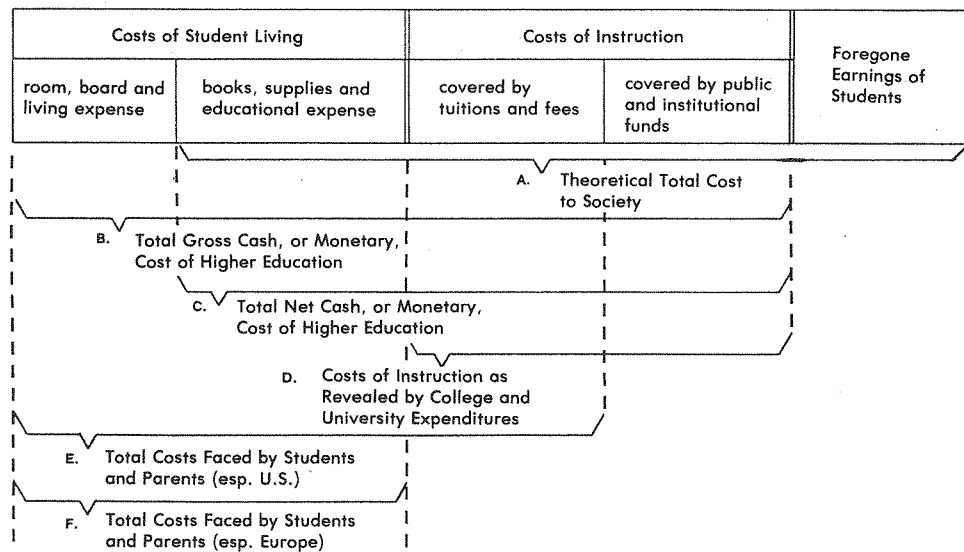
A three-month presidential study leave from Buffalo State College and support from The College Board made possible a study of the costs of higher education as faced by students and parents in the United States, the United Kingdom, France, West Germany, and Sweden. Of special interest were the expected parental contributions, their functional relationships to income and to other measures of either "means" or "need," as well as the explicit or implicit expected student contributions and the nature of the loan programs, if any, by which these contributions could be generally met. An important question asked of each loan program (i.e., in the U.S.,

Sweden, and Federal Republic of Germany) was the extent of the “real loan” versus the “implicit grant,” or the present value of the subsidy stream. In each country, these questions and answers were examined in the context of the recent history and apparent trends in higher education as well as the socio-political milieu in which the issues surrounding cost-sharing are being confronted.

*The Cost of the Student and Family*

The first step in any comparative analysis is to specify that which is being observed and to compare apples, as nearly as possible, only with apples. The “costs of higher education” has a variety of meanings, as shown in Figure 1, including foregone student earnings, the costs of instruction as revealed in institutional operating accounts, and the “cost of student living,” which in turn includes those costs of living such as room, board, entertainment, and clothing that are faced by anyone, student or not, and those specifically educational expenses such as books, supplies, travel, and the like that are incurred as a result of being a student.

Figure 1  
The Costs of Higher Education  
The Range of Concepts

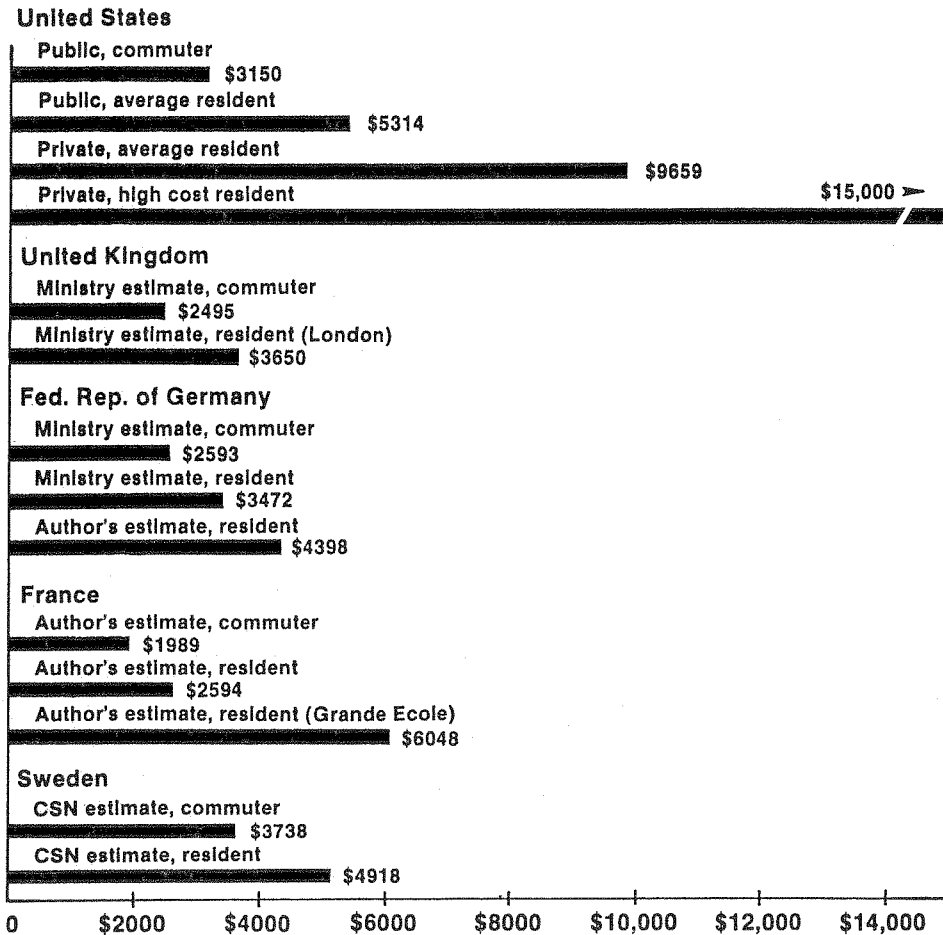


The great difference between the U.S. and most of Europe with regard to costs and student financial assistance is that the students in the U.K., France, Germany, and Sweden pay almost no part of the costs of instruction — i.e., pay zero or minuscule tuitions and fees — whereas U.S. students pay a small but noticeable portion of these costs in the public sector, and a very large portion in the U.S. private, or independent, sector. Because the principal interest of this study was in viewing the policies and policy instruments that fall within the concept of “financial assistance,” the unit of observation was those costs faced by the student and his or her family.

In the U.K., the Federal Republic of Germany, France, and Sweden, this meant only the costs of student living (except for some tuition-paying Grandes Ecoles students in France). In the U.S., the costs faced by the student and family include, of course, the costs of student living, plus tuition and fees.

Figure 2 shows a variety of cost estimates for each of the five countries in the study. There is considerable variation both within each country and among the five countries. Within-country variation can be attributed to commuter-resident status, to the amount of tuition or fees paid (in the U.S. and to a limited degree in France), and to individual student living standards, which in turn are probably a function very largely of resources available to the student-family unit. Between-country variation can be attributed to the presence or absence of tuition, to the cost of living generally, to the extent of governmentally-subsidized room and board, and to the prevailing cultural sense of how well a student ought to live — in comparison, say, with his or her non-student age peers.

**Figure 2**  
**Costs Faced by Students and their Families,**  
**U.S., U.K., Germany, France, and Sweden,**  
**Various estimates, 1985-86.**



Source: D. Bruce Johnstone, *Sharing the Costs of Higher Education*  
 New York: The College Board, 1986

For example, discounting tuition, costs are highest among the five countries studied in Sweden — reflecting the high cost of living in that country generally, the absence of governmental-subsidization of living expenses, and a cultural view that would have a twenty-one year old student live at about the same standard as a twenty-one year old worker or clerk. The costs in Germany are also quite high, and would be higher were it not for some savings made possible by the governmentally-subsidized Studentenwerk, which provide low-cost meals and some low-cost housing. French costs are the lowest, due to lower living costs generally (compared to Sweden, U.S., or Germany), to the subsidized meals and housing available from the local *Centre Régional des Oeuvres Universitaires et Scolaires*, or CROUS, and finally to a tradition in which living either at home or in genteel academic poverty continues to be a more accepted condition of student life — than, say, in England, West Germany, or Scandinavia. The U.K. estimates are low partly because of lower living standards generally in the U.K. and possibly because the only estimates available were either Ministry estimates, which may have some incentive to estimate low and to restrain the growth of grant expenditures, or actual survey results from the National Union of Students, which may also err on the downside as expenditure surveys often do. However, taking all factors into consideration, including inevitable errors in estimation, and controlling especially for commuter-resident status in each country and for the presence of tuition and fees in the U.S., the 1985-86 costs faced by students and their families in the five countries portrayed in Figure 2 are remarkably similar.

#### *The Five Systems: Summary Sketches*

A journal article does not allow full explanations of the financial assistance policies and instruments of each of the five countries of the study. The essential features of each are summarized below, keying on the shares of the costs that are faced by students and parents and that are borne by taxpayers, parents, students, and philanthropists. Because a substantial philanthropic share is a factor, among the subject countries, only in the U.S., and because the relative taxpayer share in most countries is the equalizing or balancing factor in the equation, a good principal base measure for comparison is the expected parental contribution as a function of family income, as shown in Figure 3.\*

*The U.S.* The United States' system, such as it is, is built upon an expected parental contribution that begins in 1985-86 at an annual income of about \$15,000 and rises at a relatively gentle slope, as shown in Figure 3, with marginal "tax rates" in the range of 15-25 percent. What is astonishing to a European are the parental contributions of \$12,000 to \$15,000 and more per year for the higher education of children in the U.S. private sector.

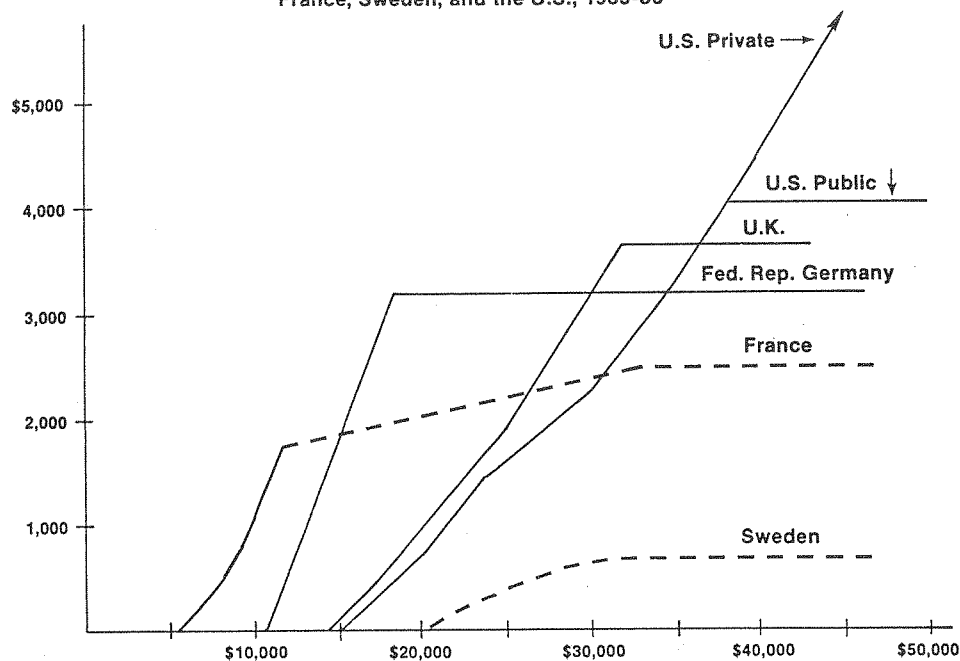
At low levels of income, taxpayer assistance via means-tested grants are available to all enrolled students who are in good academic standing and maintaining satisfactory progress — which standards are quite generous compared to other countries, to the special benefit of students of modest academic aptitudes and to otherwise non-traditional students.

Student self-help is also expected in the form of term-time and summer earnings as well as loans. The self-help expectation is evidenced by the capping of federal

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\*All local currencies have been converted to U.S. dollars via a purchasing power parity index rather than via market exchange rates, which in 1985 greatly underestimated the true worth of most foreign currencies in their own countries. A purchasing power parity index, on the other hand, equates what the Deutschmark buys in Germany with what the dollar buys in the U.S., and is a much better way to compare, e.g., incomes, grants, prices, loan amounts, and the like among countries.

Figure 3  
Higher Education Expenses Borne by Parents  
as a Function of Family Income, U.K., Germany,  
France, Sweden, and the U.S., 1985-86



need-based aid (the Pell Grant) at 60 percent of total cost even when the parental expectation is zero. The students' share may diminish at low-cost public colleges for children of affluent parents — yet even in these situations, the tradition in the U.S. of part-time work for college students is strong, even though student loans are less available for students with affluent parents than in the recent past. At private colleges, total costs are so high that even middle and upper-middle income families must rely on student self-help — term-time work and loans — often at levels of \$2000 to \$4000 a year and sometimes even higher.

*United Kingdom (England and Wales).* The U.K. has no truly independent sector to speak of, and the tuitions are automatically paid by the government on behalf of nearly all British resident students; so the costs faced by most students and their families are the costs of student living — in the neighborhood of \$3000-4000 a year for the 1985-86 academic year.

All eligible students — which means virtually all British resident students at the universities and polytechnics who are studying full-time for their first approved degree or diploma program — are entitled by law to mandatory grants, less any expected parental contributions.

The expected parental contribution in the U.K. is very similar to the expectation in the U.S., beginning as is shown in Figure 3 at about \$15,000 and reaching the full amount of what would otherwise have been the mandatory grant (\$3650 in London) at an annual "residual income" of about \$32,000. At higher family incomes, the costs of student living are the parents' responsibility, although the tuitions continue to be paid automatically.

The most significant difference between cost sharing in the U.K. and in the U.S. is the virtual absence of any expected student share in the U.K. There is no generally-available student loan program, even as a supplement to the parental and, or, taxpayer contributions. Students are also discouraged from term-time work — in part by a “pound-for-pound” reduction of the mandatory grant by any amount earned during the term in excess of L425 (\$717), but more so, particularly in the universities, by a tradition of full-time study undistracted by the need to work part-time — a tradition that may seem to us to be indulging of the students and hard on the taxpayer, but a tradition that the British claim to be efficient and even economical by virtue of the low rate of attrition and the supposedly shorter time required for completion of a degree or diploma.

*Germany.* There are no tuitions and only minuscule fees in the Federal Republic of Germany, so the costs faced by students and their parents are the costs of student living only. These costs are lowered somewhat through the provision of indirect public assistance in the form of subsidized meals, rooms, and some services through the local student service organization, or *Studentenwerk*.

Parents are required by law to support their children financially through higher education — to the level of education appropriate for first entry into an occupation, given the interests and academic ability of the child, and consistent, of course, with the financial means of the parents. The required parental contribution is a certain percentage of all family income above a base, or “free,” or “protected,” amount, which base rises with additional dependent children. For a two-parent family with one student and one additional non-student dependent child, the base in 1985-86 is DM23,820 [\$11,028]. Thirty-five percent of all income above the base is protected for the student and the family, as is an additional 10 percent for each additional non-student dependent. All other income above the full protected amount is considered available for support of the student. Thus, the effective marginal tax rate for the parental contribution in our four-member family example is 55 percent of all income in excess of about \$11,000. At this rate, the required maximum parental contribution of DM7000-8000 (\$3300-3700) is reached at an income of about DM42,557 [\$19,702]. There are tax advantages in the form of prolonged child allowances and enhanced tax deductions that lessen the parental burden, and many parents fail to provide the full amount in anticipation of the student’s finding a job. Nevertheless, the German parental contribution shown in Figure 3 is more rigorous than either the U.S. or the U.K. contribution at low levels of income, although the effective upper limit of approximately DM8500 [\$3935] on costs to the student and family protects the middle and upper-middle income German parents from the enormous burdens experienced by U. S. parents with children at expensive independent colleges.

The costs of student living that are not met by the German parents are borne by the German student through part-time and summer work and through the repayable *Bundesausbildungsforderungsgesetz*, colloquially called “BAföG,” and by the taxpayer, through the very high proportion of subsidy within the BAföG. In fact, with five years of grace between the end of studies and the first payment due, with as long as 20 years to repay, and with a zero rate of interest, plus principal forgiveness provisions for early completion of studies and for finishing in the top 30 percent in academic standing, the “true loan,” at a conservative discount rate of only 10 percent, is less than 23 cents on the dollar for the average student and 10-15 cents on the dollar for those who finish early and with high academic standing.

The taxpayer contribution in Germany to the costs of student living is thus entirely indirect; tax advantages to parents, subsidies to the *Studentenwerk*, and subsidies to the BAföG. The student contribution looks considerable, particularly when compared to the period prior to 1984, when BAföG was primarily a grant program.



Nevertheless, the easy repayment terms of the new repayable BAföG shift some of that burden, over time, back to the taxpayer.

*France.* The French universities and the university-affiliated institutes of technology (IUT's) are tuition-free, although some of the elite, semi-autonomous Grandes Ecoles do charge tuition. Meals, a limited number of rooms, and some non-academic services such as travel and entertainment are provided at subsidized prices through the regional student Service Center (*Centre Regional des Oeuvres Universitaires at Scolaires*, or CROUS). In addition, French students, more often than their American, British, German, or Swedish counterparts, tend to live at home and thus to rely more on their parents for room, board, and other non-cash kinds of support. The costs to students and parents in France tend thus to be generally low, but are also extremely variable — ranging from as little as FF12,000-15,000 [\$1613-2016] for a commuter, to FF19,000-20,000 [\$2554-2688] for an average university student still taking some advantage of his or her CROUS, to FF45,000 [\$6048] or more for the tuition-paying, independent-living student attending a Grande Ecole.

These costs are assumed to be the responsibility primarily of the parent, with a very small means-tested, or need-based grant (*bourse d'enseignement superieur sur criteres sociaux*) available to assist very low income families. The bourse is awarded on nine levels, or echelons, ranging in 1985-86 from a high of FF12,744 [\$1713] to a low of FF3690 [\$496], with small supplements for certain reasons and with an automatic boost to the next highest echelon for students who have completed military or other national service.

The grant, or echelon, to which a student is entitled depends on family income plus a host of "situational criteria" such as other dependent siblings, distance from the nearest university, number of wage-earners in the family, and physical handicaps or health problems. A low grant situation — e.g., two wage-earners and only one other dependent sibling — would provide a maximum grant of FF12,744 [\$1713] to students from families with incomes below FF40,000 [\$5430], and would provide no award at all to students from families with incomes above FF68,300 [\$9180]. The low grant situation, probably quite representative of French families receiving the need-based bourse, is shown in Figure 3. A high grant situation — e.g., completion of military service, a need to commute, and one dependent non-student and two dependent student siblings in the family — would provide a maximum grant of FF13,698 [\$1877] to students from families with incomes (two years prior) under FF62,500 [\$8400] and no grant to students from families earning more than FF105,700 [\$14,207]. Because the severity of the means testing, only 10-12 percent of French students, and clearly only from the very poorest families, receive any direct taxpayer-borne assistance for the cost of student living, and the grants awarded are very small.

The abundant indirect taxpayer-borne assistance via subsidized meals and other services, plus the indirect tax advantages to parents whose children remain in higher education, plus the fact that the need-based awards, small as they are, are at least grants and not loans, unlike the German and major portions of Swedish and American assistance, may make the French bourse seem a little less ungenerous in comparison with other award programs. Nevertheless, the French taxpayer share of higher education costs faced by the student and family is the least of the five countries in the study.

If the expected parental contribution can be assumed to begin at the income level at which the need-based grants begin to be reduced, then French parents are expected to begin contributing at an income (two years prior) as low as FF40,401

[\$5431]. Because the bourse is reduced franc-for-franc for term-time student earnings, it must be inferred that increases in the parental contribution (not student self-help) are expected to make up for decrease in the bourse with higher family income levels. Thus, the effective marginal tax rate — i.e., the increase in expected parental contribution (or decrease in grant) as incomes increase — is about 33 percent.

In short, although the total cash expenses faced by most French students and families are less than the expenses facing British, German, and Swedish students and their families, and are much less than the expenses faced by the American students and families contemplating high-priced private colleges, the absolute and proportionate burden faced by the low and lower-middle income family in France because of the extremely limited need-based grants is relatively much higher.

The students' share of costs in France is substantial although highly variable and unsystematic. There is no generally expected amount that students are to bear. Indeed, students entitled to a bourse are strongly discouraged from working part-time, and there is as yet no generally available student loan program in France. At the same time, many students report regular part-time jobs, and there are a number of student loan programs either through the ministry or the local CROUS for short-term emergency needs, or through private banks, available mainly, however, to children of substantial bank customers or to students preparing for highly-remunerative occupations in the elite Grandes Ecoles.

*Sweden.* There are no tuitions or fees to speak of in Sweden, so the expenses faced by the student and family are only the costs of student living. Sweden has a high cost of living, though, and does not provide subsidies especially for students, so these costs are relatively high by European standards and very comparable to public-sector expenses in the U.S. A student living at home in 1985-86 probably needs about Skr28,033 [\$3738], and a student living independently needs about Skr37,111 [\$4948].

The major and immediate difference between Sweden and U.S. and the other countries of this study is the absence in Sweden of any officially expected parental contribution. Parents surely do help out, as is suggested by the dotted line in Figure 3, particularly more affluent parents willing to assist a child to live as a student above the level made possible by the standard governmental award. Nevertheless, it is both possible and common for a student to attend a university with no financial assistance from the parents, however wealthy the parents may be. (We must also, however, recall the relatively flat income distribution in Sweden.)

Each full-time higher education student in good standing in Sweden is entitled to "Study Means," an award that contains a very small grant of Skr2178 [\$290] and, for unmarried undergraduates, a substantial loan of skr29,449 [\$3927]. The Swedish Ministry does not like to acknowledge the concept of an "interest rate" in connection with Study Means, but the repayable amounts awarded begin growing (i.e., accruing interest) in 1985-86 at the lesser of 4.2 percent per annum or the government's official "adjustment index" by which the rise in the cost of living is measured. At the end of a student's schooling plus a two-year grace period, during which period the accumulated repayable Study Means continues to accrue "interest" at 4.2 percent, repayments begin on a schedule sloping upward at the same 4.2 percent annual rate and extending usually through the student borrower's fiftieth year. Amounts due are deferred in the event of low income during the period the payment is due.

The Swedish student loans, bearing an effective 4.2 percent rate of interest from origination, are much less subsidized than the German BAfoG, but are more subsidized than the American G.S.L. Using a 10 percent discount rate and assuming a 20-year repayment period, the "true loan" within the Swedish Study Means is just

over 47 cents on the dollar — compared to just over 75 cents on the dollar for a U.S. Guaranteed Student Loan and 22 cents for the German BAfoG.

At low and middle income levels, the Swedish system places an equal or slightly higher proportional burden on the student than does the U.S. system. At middle and higher levels of family income, where the U.S. parental contribution becomes extensive, the shares borne by students continue to be similar, with the Swedish taxpayers, via the loan subsidies, providing in Sweden what in the U.S. is provided by the parents.

*Sharing the Costs in Five Countries:* The bar graphs, presented as Figures 4, 5, and 6, summarize the portions of costs borne by each of the four bearers of burden — taxpayers, parents, students, and institutions/philanthropists — for U.K., the Federal Republic of Germany, France, and Sweden, and for three levels of costs in the U.S. What stands out are such observations as:

- \* the substantial burden borne by institutions and philanthropists in the U.S. and nowhere else (in the study group);
- \* the relatively high share at a very low income borne by parents in France;
- \* the near absence in Sweden of parental share at any income level;
- \* the absence of a student share borne in U.K. at any income level.

#### *Lessons to be Learned*

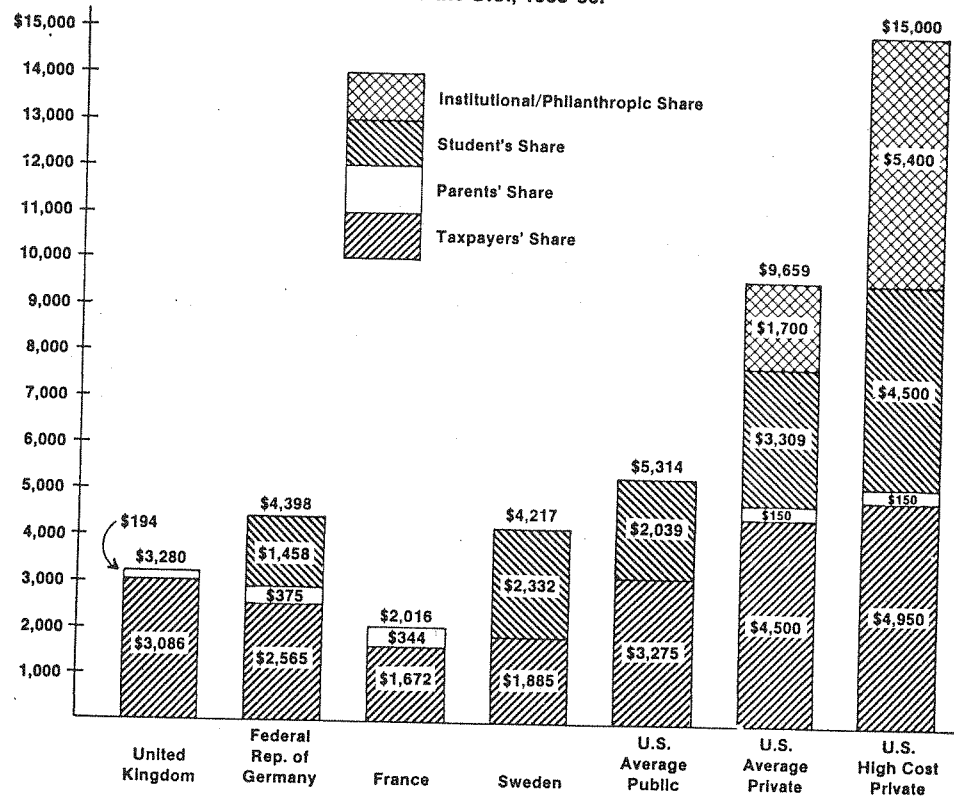
Let us now return, a bit more seriously, to the questions of “which is best?” or “what can we borrow from another system?” Actually, neither question is particularly useful. “Best and worst” and “good and bad” have little applicability in international comparisons of complex socio-economic-political-educational policies. Even borrowing the seemingly successful element of another country’s system is rarely practical.

What is the good, then, of a comparative study — beyond the obvious interest we all have in the new and different, and beyond the obvious pleasure to the fortunate researcher who gets to spend time in London, Paris, Bonn, and Stockholm asking questions? The answers, and the rationale for the entire field of comparative policy studies, is that we emerge from a comparative study with a deeper understanding of why countries develop particular responses to their similar challenges, how and why our own system has evolved as it has, and what it might take to change it in certain ways.

To most of us in the U.S., for example, the U.K. system looks a bit odd because of the absence of any expected student contribution . . . the Swedish system similarly strange because of the absence of an expected parental contribution . . . the French system because of a seemingly meager taxpayer contribution and because of all of its disincentives to part-time work as well as to studying away from home . . . the German system because of the political blood that was shed over the imposition of a loan program that is not, in the end, so very different from the grant program that it supposedly superceded. Our system, if we may indeed call it that, must in turn look odd to colleagues from these other countries because of the aggressive competition on the part of institutions for students . . . the coexistence of public, private not-for-profit, and proprietary for-profit institutions of postsecondary and higher education . . . the enormous tuitions paid in the private sector and yet the competitive robustness of most of that sector vis-a-vis the lower-priced public sector . . . the bewildering (even to us) array of grant and loan programs and the almost total individualization of the ultimate price to the student and his or her family.

At the same time, a comparative study of student financial assistance policies and practices can help greatly in broadening our perspectives on the aims and the means of student financial assistance, on the political and cultural determinants of both

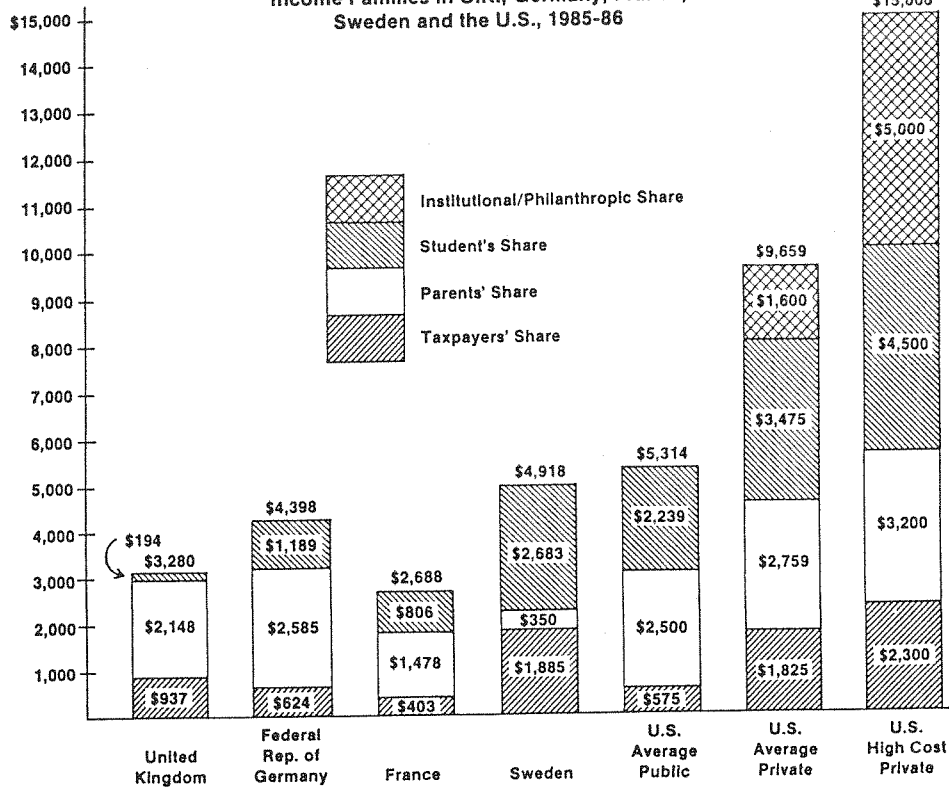
Figure 4  
Sharing the Cost of Higher Education for Low  
Income Families in U.K. Germany, France, Sweden,  
and the U.S., 1985-86.



our own public policies and our own private practices, and on the oftentimes subtle trade-offs between the various goals of, e.g.: equalizing higher educational opportunities, encouraging or discouraging certain kinds of degrees and curricula, economizing on the use of the taxpayer's dollar, enhancing (or at least not diminishing) one or another concept of distributional justice, and the like. For example, one can look to economic, political, or cultural explanations for the particular policies and procedures in a given country with respect to sharing the costs of higher education. Let us, by way of summary, look briefly at each of these possible kinds of explanations.

*The Economic Perspective: The Non-Utility of the Traditional "Human Capital" Answer to the Question of "Who Should Pay?"* Most of us were taught (and some of us may be guilty of teaching others) that the question of "who should pay?" follows the answer to the question "who benefits?" We all know the classic public finance rationale for a public subsidy — benefits not capturable by the individual, which justify public assumption of the same proportion of total costs that these public benefits are of total benefits. Like most economic principles, this one is true-by-definition, if one accepts the necessary assumptions about individual and collective economic behavior and is willing to ignore the complications of the surrounding cultural and political milieu. But few if any real questions regarding the appropriate share of costs to be borne by student, parent, or taxpayer have ever been resolved or

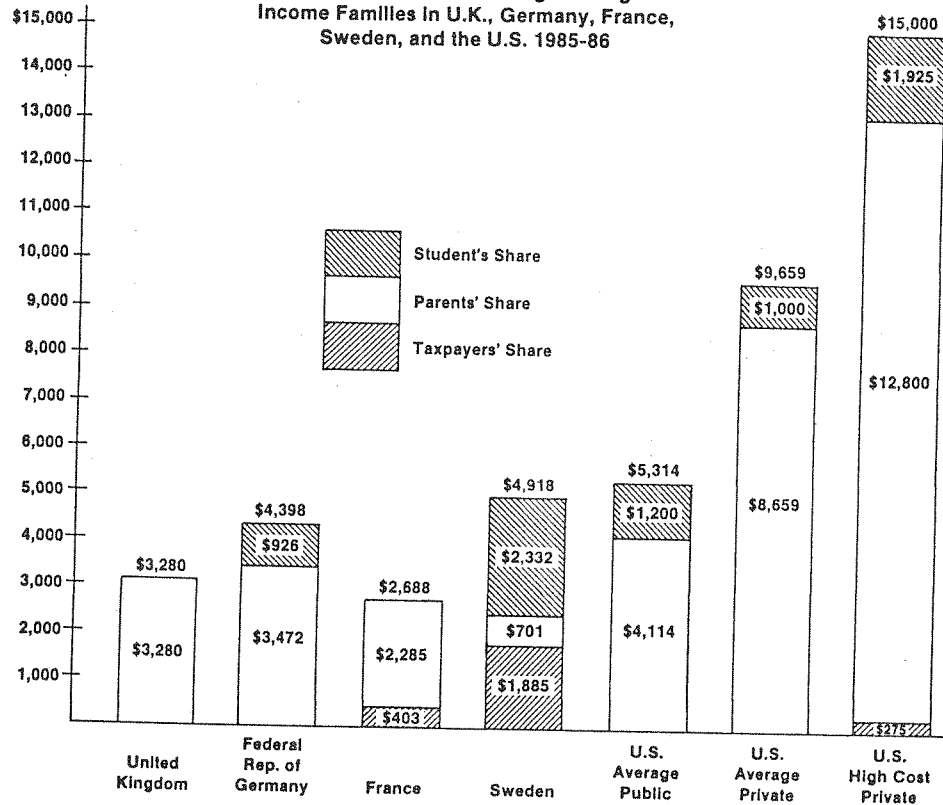
Figure 5  
Sharing the Cost of College for Middle  
Income Families in U.K., Germany, France,  
Sweden and the U.S., 1985-86



even usefully advanced by knowledge of, or even by sheer speculation on, an answer to the question "who gains?" In the West European countries of this study, in fact, the human capital concepts of public and private costs, benefits, and returns on investment seem to be of almost no interest to policymakers and of rather less interest than they are in the U.S. to the researchers and policy analysts.

*The Political Perspective: The Importance, and the Limits, of the Immediately-Dominant Political Ideology.* To some degree, the apportioning of the burden of costs of higher education follows traditional Western socio-economic-political ideology. The left, with its more favorable inclination toward a larger public sector and toward increased transfer payments to the poor could be expected to favor a high proportion of taxpayer-borne costs. The right, on the other hand, could be expected to favor smaller taxpayer-borne expenditures and more reliance on "free choice" and a market-oriented apportioning of costs. To be sure, the conservative Reagan, Thatcher, and Kohl governments in the U.S., U.K., and Germany have all attempted to lower if not the absolute amounts, then the recent rates-of-increase in direct grants to students, and to shift some additional costs to parents (at least to those who can afford to pay) and to students in the form of higher loan burdens and even the possible introduction in Europe of tuition. At the same time, all three of these conservative governments have failed to make substantial changes in the systems they inherited from their more liberal predecessors. The massive cuts in federal student aid proposed by the first and subsequent Reagan budgets never materialized. The Thatcher government's trial balloons of means-testing the tuition

Figure 6  
Sharing the Cost of College for High  
Income Families in U.K., Germany, France,  
Sweden, and the U.S. 1985-86



grants and of introducing even a limited loan program were violently opposed by her own as well as the opposition parties. And the Kohl government's conversion of a grant to a loan program ended up with a loan so heavily subsidized that it changed very little the ultimate division of burden between students and taxpayers.

In the meantime, France, nominally run until the summer of 1986 by a Socialist-dominated coalition, has one of the least generous programs of aid to the children of the very poor. Sweden, arguably the most consistently egalitarian nation of Western Europe, has almost no grants at all (beyond, of course, the traditionally free public higher education), and Sweden provides no special financial assistance to the children of poor parents.

In short, the immediately-dominant political ideology may point the way or apply pressure toward some shift in the apportioning of cost burden among parents, students, and taxpayers. Knowledge only of the ideology, though, at least as represented by the party or coalition in power, does little to predict the cost-sharing characteristics of a particular system. Furthermore, a fundamental change in that system is not much easier to effect through a mere change in government than it is through the arguments of the human capital economist.

*The Cultural Perspective: Sharing the Costs of Higher Education.* Policies and instruments for apportioning the costs of higher education seem, rather, to be functions of traditions and beliefs with roots far deeper and more complex than either party ideology or economic sophistication. The term "cultural," although itself encumbered with many meanings, may be more fruitful. For example, the difference

between the U.S. and the Swedish treatment of the parents' responsibility for the support of the costs of student living may be viewed in just such a comparative cultural perspective.

In the U.S., the college years, or at least the undergraduate portion thereof, have traditionally been more nearly an extension of childhood than a beginning of adulthood. The typical U.S. undergraduate begins college at age 17 or 18, incompletely educated even in the most general sense, still in almost complete financial dependence on his or her parents, and very often with no clear occupational goal and little sense of adult civic and social responsibilities. Little wonder that we have built a system of sharing the costs of higher education on the primacy of the parental contribution. And no wonder, too, that our system becomes increasingly strained as more and more of our undergraduates are *not* 17 to 22 year-olds from two-parent households, but are mature adults and/or not living with both natural parents anyway.

Furthermore, much American social welfare tradition is built on the principle of "means testing" or "targeting": i.e., certain goods or services are made available at public expense, but only upon demonstration of "need," which generally means demonstration of some degree of poverty and dependency. We do not like to give away goods and services that people might be able and willing to buy. Financial assistance in the U.S., then, begins with the premise that parents should pay as much as they can afford in support of their children's higher education. But public and philanthropic assistance steps in if the parents declare their inability to pay all that is necessary. In this sense, need-based financial assistance, coupled with the underlying expected parental contribution, are parts of a system of income redistribution that subsidizes for poor people certain otherwise expensive but so-called essential goods and services like food, rent, and health care — as opposed to systems of income maintenance or outright transfer payments that redistribute income without regard to expenditure or use. Students and parents who are jointly recipients of this aid, then, may be expected to be grateful for the assistance — which assistance, in turn, needs to be only that minimal amount necessary to make college attendance possible, generally in concert with student self-help and with any minimal contribution the parents can muster.

Let us, in contrast, look at Sweden, with its absence of any expected parental contribution. There, as in most of the rest of Europe, higher education may be more easily construed as the start of adulthood rather than as the end of childhood. The Swedish undergraduates are a bit older than their traditional American counterparts. They are more likely to have completed their general education in the Swedish academic secondary school and to be entering the university for the start of specific professional studies.

They look upon university studies not so much as something that they are especially fortunate to be able to do and for which privilege they should be pleased to live under the twin burdens of collegiate poverty and parental dependency, but as their proper calling at this stage of their lives, not unlike the workplace for their age peers who are not in higher education. Funds should be made available to those whose calling is the university, whether as a "study wage," a student grant or as a repayable grant, to enable them to live more-or-less like others of their age — and certainly not in any prolonged state of dependence on their parents.

At the same time, Sweden has achieved a very high degree of income equalization through progressive income taxes, high minimum wages, high employment, and the absence of any significant non-productive underclass. Sweden thus has no need of targeted income transfers — to parents of university students or to other categories of "worthy poor" — to even further redistribute income. In fact, there is some

thought in Sweden that targeting aid and requiring some families to declare their need would be demanding as well as unnecessary.

Furthermore, one of the principal arrangements on behalf of an expected parental contribution is that the abandonment of such a contribution, once in place, would constitute the lifting of a burden from — and thus an effective transfer of income to — a set of parents who are predominantly upper and upper-middle class. By having long since abandoned its expected parental contribution, Sweden has already experienced whatever redistributive impact that abandonment may once have brought about. From the standpoint of distributive justice, Sweden no longer has a compelling reason to maintain an expected parental contribution — for the simple reason that it no longer has one.

There is always the danger of oversimplification in comparative analyses. But a comparative perspective adds a depth and richness to our understanding of certain issues — e.g., the parental contribution — that we will be struggling with for years.

We do share with other countries essentially the same goals and constraints for our systems of higher educational finance and student assistance, and we share the same parties — students, parents, taxpayers, and philanthropists — on whose shoulders must be placed the costs of college.

Surely, this is ample reason to better understand one another — and to expect the field of student financial assistance to be enriched by a growing attention to the policies, problems, and instruments of other countries.